

REMARKS

Claims 1-30 are pending in the present application. No claim amendments have been made herein.

The specification is objected to and claims 1-30 are rejected under 35 U.S.C. §112, first paragraph, as failing to support the subject matter set forth in the claims. Claims 1-30 are rejected under 35 U.S.C. §101 because the claimed invention is directed to non-statutory subject matter. Claims 1-30 are also rejected under 35 U.S.C. §103(a) as being unpatentable over Marlowe-Noren (U.S. Patent Publication No. 2004/0193536 A1) (“Marlowe”) in view of Ritchken.

OBJECTIONS TO SPECIFICATION/REJECTION OF CLAIMS 1-30 UNDER 35 U.S.C. §112

Claims 1-30 are rejected under 35 U.S.C. § 112, first paragraph, as failing to support the subject matter set forth in the claims. In the previous Response, the claim 1, and similarly claims 12 and 28, was amended to recite that a second potential financial benefit “is based upon” and is the same as the first potential financial benefit. Exemplary support for this amendment can be found in the originally-filed specification, which recites:

The issuer 120 can identify the purchased “mirror” call option 151 and the convertible bond 110 as a single integrated transaction for tax purposes. In other words, because the cash flows on the purchased “mirror” call option match the cash flows on the convertible bond, the issuer 120 is treated as having issued a 2% coupon debt instrument (i.e., the 2% semi-annual coupon) with \$300 of original issue discount (OID).

Para. [0015]. Because the call option is a “mirror” of the bond, it is inherently and necessarily “based on” the bond. Accordingly, it is submitted that the previous amendment has support in the specification. Therefore, it is requested that the rejection under 35 U.S.C. § 112 be withdrawn.

REJECTION OF CLAIMS 1-30 UNDER 35 U.S.C. §101

Claims 1-30 are rejected under 35 U.S.C. §101 because the claimed invention is directed to non-statutory subject matter. This rejection is respectfully traversed.

The Examiner asserts that the claimed invention does not fall in the process category of § 101 because “The Supreme Court has recognized only two instances in which such a method may qualify as a section 101 process: when the process ‘either [1] was tied to a particular

apparatus or [2] operated to change materials to a ‘different state or thing.’” *In re Comiskey* (No. 06-1286 Federal Circuit). The Examiner also asserts that the Supreme Court in *Diehr* confirmed that a process claim reciting an algorithm could state statutory subject matter if it: (1) is tied to a machine or (2) creates or involves a composition of matter or manufacture. *Diamond v. Diehr*, 450 U.S. 175, 184 (1981). However, the Supreme Court, which is binding over Federal Circuit law, in *Diehr* set forth the broad framework for analyzing the eligibility of process claims for patent protection under § 101:

It is for the discovery or invention of *some practical method or means of producing a beneficial result or effect*, that a patent is granted, and not for the result or effect itself. It is when the term process is used to represent the means or method of producing a result that it is patentable, and it *will include all methods or means which are not effected by mechanism or mechanical combinations*.

Id. at 182 n. 7 (citation omitted) (emphasis added). Thus, patent protection for processes under § 101 encompasses practical applications of methods that produce useful results, including those not “effected by mechanism or mechanical combinations.” *Id.* The Examiner has recognized the beneficial result in the claimed invention. *See, e.g.*, Office Action at 8 (“The combination of disclosures suggests that holders would have benefited from exercising the option without extinguishing the underlying convertible instrument.”) Indeed, the claimed invention recites a first, second, and third potential “financial benefit.” Accordingly, under Supreme Court precedent, the pending claims provide a practical method for producing a beneficial result. Therefore, it is requested that the rejection of claims 1-30 under 35 U.S.C. §101 be withdrawn.

REJECTION OF CLAIMS 1-30 UNDER 35 U.S.C. § 103(A)

Claims 1-30 are rejected under 35 U.S.C. § 103(a) as being unpatentable over Marlowe-Noren (U.S. Patent Publication No. 2004/0193536 A1) (“Marlowe”) in view of Ritchken. This rejection is respectfully traversed.

Marlowe and Ritchken fail to teach or suggest each and every element of the pending claims as previously asserted by the undersigned representative. Claim 1, as previously amended, and claims 12 and 28, as similarly previously amended, recite “buying from the counterparty a first call option having a second potential financial benefit that is based upon and is the same as the first potential financial benefit.” On page 7 of the Office Action, the Examiner recognizes that Marlowe fails to teach or suggest “a call spread with the counterparty.”

Although Ritchken recites a call spread, Ritchken fails to teach or suggest the use of a call spread having a benefit that reflects the benefit of a convertible security. The Examiner asserts that “[t]he combination of disclosures [of Ritchken and Marlowe-Noren] suggests that holders would have benefited from exercising the option without extinguishing the underlying convertible instrument.” The Examiner recognizes that Marlowe-Noren does not recite a first or second call option and Ritchken does not recite a convertible security. So there is no teaching or suggestion to combine the Ritchken and Marlow-Noren. The benefit received by a combination of the references is only apparent from the present application.

A teaching and suggestion to combine Ritchken and Marlowe-Noren is still required to establish obviousness. In *KSR International Col. v. Teleflex Inc.*, 127 S. Ct. 1727 (2007), the Supreme Court did not eliminate the teaching, suggestion, or motivation (TSM) test from the determination of obviousness, but rather merely opposed “a formalistic conception of the words teaching, suggestion, and motivation, or ... overemphasis on the importance of published articles and the explicit content of issued patents.” *KSR International Col. v. Teleflex Inc.*, 127 S. Ct. 1727, 1741 (2007). As the Federal Circuit has subsequently explained:

[A] flexible TSM test remains the primary guarantor against a non-statutory hindsight analysis.... The TSM test, flexibly applied, merely assures that the obviousness test proceeds on the basis of *evidence* – teachings, suggestions (a tellingly broad term), or motivations (an equally broad term) – that arise before the time of invention as the statute requires.

Ortho-McNeil Pharmaceutical v. Mylan, 2007-1223, *11 (Fed. Cir. Mar. 31, 2008) (emphasis added). Thus, to establish a *prima facie* case of obviousness the Examiner must show *evidence* of teaching, suggestion, or motivation to make the proposed combination of references that arose before the time of invention. Such a showing is required to guard against allegations of obviousness that are actually derived from impermissible hindsight.

It is respectfully submitted that the rejection of claims 1-30 under 35 U.S.C. § 103(a) be withdrawn.

CONCLUSION

The undersigned representative respectfully submits that this application is in condition for allowance, and such disposition is earnestly solicited. If the Examiner believes that the prosecution might be advanced by discussing the application with the undersigned representative, in person or over the telephone, we welcome the opportunity to do so. In addition, if any additional fees are required in connection with the filing of this response, the Commissioner is hereby authorized to charge the same to Deposit Account 50-4402.

Respectfully submitted,

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